



FINANCE/AUDIT COMMITTEE MEETING AGENDA
TRABUCO CANYON WATER DISTRICT
32003 DOVE CANYON DRIVE, TRABUCO CANYON, CA
ADMINISTRATION FACILITY, BOARDROOM – MARCH 9, 2023 - 1:00 PM

COMMITTEE MEMBERS

Don Chadd, Committee Chair
Glenn Acosta, Committee Member
Edward Mandich, Committee Member Alternate

DISTRICT STAFF

Fernando Paludi, General Manager
Michael Perea, District Secretary
Cindy Byerrum, District Treasurer
Karen Warner, Principal Accountant

AGENDA NOTE:

Trabuco Canyon Water District will make this Finance/Audit Committee Meeting available by telephone audio as follows:

Telephone Audio: 1 (669) 900-6833 **Access Code:** 969-3001-9067

Persons desiring to monitor the Committee meeting agenda items may download the agenda and documents on the internet at www.tcwd.ca.gov. You may submit public comments by email to the Committee at mperea@tcwd.ca.gov. In order to be part of the record, emailed comments on meeting agenda items must be received by the District, at the referenced e-mail address, not later than 12:00 p.m. (PDT) on the day of the meeting.

CALL MEETING TO ORDER

VISITOR PARTICIPATION

Members of the public wishing to address the Committee regarding a particular item on the agenda are requested to complete a speaker card and submit it to staff. The Committee Chair will call on the visitor following the Committee's discussion about the matter. Committees do not constitute a quorum of the Board of Directors and Committee Members cannot make decisions on matters. The Committee makes recommendations only to the Board of Directors. Members of the public will be given the opportunity to speak to the Committee prior to making a recommendation on the matter. For persons desiring to make verbal comments and utilizing a translator to present their comments into English reasonable time accommodations, consistent with State law, shall be provided. Please limit comments to three minutes.

ORAL COMMUNICATION

Members of the public who wish to make comment on matters not appearing on the agenda are invited to identify themselves and encouraged to make comment at this time. The Committee Chair will call on the visitor following the Committee's discussion about the matter. Committees do not constitute a quorum of the Board of Directors and Committee Members cannot make decision on matters. The Committee makes recommendations only to the Board of Directors. Under the requirements of State Law, Committee Members cannot take action on items not identified on the agenda and will not make decisions on such matters. The Committee Chair may direct District Staff to follow up on issues as may be deemed appropriate. For persons desiring to make verbal comments and utilizing a translator to present their comments into English reasonable time accommodations, consistent with State law, shall be provided. Please limit comments to three minutes.

COMMITTEE MEMBER COMMENTS

REPORT FROM THE GENERAL MANAGER

FINANCIAL MATTERS

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

RECOMMENDED ACTION:

Approve the following Finance/Audit Committee Meeting Recap(s) and recommend that the Board receive and file the same (Consent Calendar):

1. February 9, 2023

ITEM 2: RATIFICATION OF DIRECTORS' FEES AND EXPENSES, TENTATIVE FUTURE MEETINGS/ATTENDANCE

RECOMMENDED ACTION:

Recommend the Board of Directors approve the Directors' fees and expenses for January 2023 and tentative future meetings/attendance (Action Calendar).

ITEM 3: CONSIDERATION OF PROPOSED UPDATED PROCUREMENT GUIDELINES

RECOMMENDED ACTION:

Recommend the Board of Directors adopt the proposed Procurement Guidelines updates by Resolution (Action Calendar).

ITEM 4: AMENDMENT NO. 1 TO AGREEMENT WITH IB CONSULTING FOR RATE STUDY AND CAPACITY CHARGE UPDATE

RECOMMENDED ACTION:

Recommend the Board of Directors authorize the General Manager to execute Amendment No. 1 to Professional Services Agreement with IB Consulting in the amount of \$31,645 for a total not-to-exceed amount of \$139,027 (Action Calendar).

ITEM 5: OTHER MATTERS

RECOMMENDED ACTION:

Hear Other Matters from the General Manager or District Staff.

ITEM 6: FINANCIAL REPORT

A) PRESENTATION OF UNAUDITED FINANCIAL STATEMENTS

RECOMMENDED ACTION:

Recommend that the Board receive and file the preliminary unaudited financial statements for January 2022 (Consent Calendar).

B) BILLS FOR CONSIDERATION

RECOMMENDED ACTION:

Approve and ratify the bills for consideration and warrant register and recommend that the Board ratify payment of the Bills for Consideration for March 9, 2023 as presented (Consent Calendar).



**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING AGENDA | MARCH 9, 2023**

ADJOURNMENT

AVAILABILITY OF AGENDA MATERIALS

Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the Trabuco Canyon Water District Finance/Audit Committee in connection with a matter subject to discussion or consideration at an open meeting of the Finance/Audit Committee are available for public inspection at the Trabuco Canyon Water District Administrative Facility, 32003 Dove Canyon Drive, Trabuco Canyon, California (District Administrative Facility) or will be posted online on the District's website located at www.tcwd.ca.gov. If such writings are distributed to members of the Committee less than 72 hours prior to the meeting, they will be available online at www.tcwd.ca.gov at the same time as they are distributed to the Committee, except that, if such writings are distributed immediately prior to or during the meeting, they will be posted online on the District's website located at www.tcwd.ca.gov.

COMPLIANCE WITH THE REQUIREMENTS OF CALIFORNIA GOVERNMENT CODE SECTION 54954.2

In compliance with California law and the Americans with Disabilities Act, if you need special disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, or if you need the agenda provided in an alternative format, please contact the District Secretary at (949) 858-0277, at least 48 hours in advance of the scheduled Board meeting. Notification at least 48 hours prior to the meeting will assist the District in making reasonable arrangements to accommodate your request. The Board Meeting Room is wheelchair accessible.



**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | MARCH 9, 2023**

FINANCIAL MATTERS

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

RECOMMENDED ACTION:

Approve the following Finance/Audit Committee Meeting Recap(s) and recommend that the Board receive and file the same. (Consent Calendar):

1. *February 9, 2023*

CONTACTS (staff responsible): PALUDI/PEREA



**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING RECAP | FEBRUARY 9, 2023**

DIRECTORS PRESENT

Glenn Acosta, Committee Member
Ed Mandich, Committee Chair Alternative

DIRECTORS ABSENT

Don Chadd, Committee Chair

STAFF PRESENT

Fernando Paludi, General Manager
Michael Perea, Assistant General Manager
Karen Warner, Principal Accountant
Lorrie Lausten, District Engineer

CONSULTANTS PRESENT

Ian Berg, Eide Bailly

PUBLIC PRESENT

None

CALL MEETING TO ORDER

Director Acosta called the February 9, 2023 Finance/Audit Committee Meeting to order at 2:00 p.m.

VISITOR PARTICIPATION

No visitor participation was received.

ORAL COMMUNICATION

No oral communication was received.

COMMITTEE MEMBER COMMENTS

Director Mandich reported that the monthly Independent Special Districts of Orange County (ISDOC) meetings and the Community Associations of Rancho (CAR) meetings occur on the same day and time, and requested changing one of the assignments with the alternate representative. Mr. Paludi recommended this matter be discussed at the Regular Board Meeting.

REPORT FROM THE ASSISTANT GENERAL MANAGER

None

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

Mr. Paludi presented the Finance/Audit Committee Meeting Recap for Committee review in accordance with the agenda. As Director Acosta was not in attendance at the meeting, Mr. Perea concurred with Director Mandich's approval of the meeting recap.

MOTION: Approve the Finance/Audit Committee Meeting Recap and recommended that the Board receive and file the same as amended (Consent Calendar) – Director Mandich

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP | FEBRUARY 9, 2023**

SECOND: Mr. Perea
AYES: Directors Acosta & Mandich
NOES: None
ABSTAIN: None
MOTION PASSED/FAILED: Passed 2-0

ITEM 2: RATIFICATION OF DIRECTORS' FEES AND EXPENSES, TENTATIVE FUTURE MEETINGS/ATTENDANCE

Mr. Paludi presented the Directors' Fees and Expenses Report and Tentative Future Meetings/Attendance Report for Committee consideration and review.

MOTION: Recommend the Board of Directors ratify the Directors' fees and expenses for January 2023 and tentative future meetings/attendance (Action Calendar)– Director Acosta
SECOND: Director Mandich
AYES: Directors Acosta & Mandich
NOES: None
ABSTAIN: None
MOTION PASSED/FAILED: Passed 2-0

ITEM 3: ADOPTION OF DISTRICT TREASURER'S ANNUAL STATEMENT OF INVESTMENT POLICY

Mr. Paludi presented this matter for Committee consideration, and he reported that this matter is reviewed annually per the District's rules and regulations. Mr. Paludi reported that the comments provided by legal counsel were minor, and he reviewed the redlined copy of the proposed resolution which included recommended changes to the policy to comply with legislative updates and related to District investment objectives. Discussion occurred concerning certain proposed changes in the resolution language.

MOTION: The Committee recommended the Board of Directors adopt Resolution No. 2023-1312 – Resolution of the Board of Directors of Trabuco Canyon Water District Adopting an Investment Policy (Action Calendar) – Director Acosta
SECOND: Director Mandich
AYES: Directors Acosta & Mandich
NOES: None
ABSTAIN: None
MOTION PASSED/FAILED: Passed 2-0

ITEM 4: OTHER MATTERS

Mr. Paludi provided a brief update on the development of updated rates and charges with the assistance of IB Consultants, and he reported that a Special Board Meeting has been scheduled for the end of the month. Discussion occurred concerning certain basic assumptions in the rate development process.

MOTION: None – Informational item only.

ITEM 5: FINANCIAL REPORT

Ms. Warner presented the preliminary unaudited financials for December 2022, and she highlighted the following items:

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP | FEBRUARY 9, 2023**

DISTRICT OPERATIONS UNAUDITED

Operating Revenue, Water Commodity Sales

Ms. Warner reported that this line item was trending higher than budgeted due to the current warmer weather conditions.

Operating Revenue, Reclaimed Water Sales

Ms. Warner reported that water demand for the month was trending significantly higher than budgeted due to increased system demands.

Operating Expense, Source of Supply

Ms. Warner reported that this line item was at budget for the year.

Operating Expense, Water Related Expenses

Ms. Warner reported that this line item was trending higher than budgeted for the year due to increased electrical and chemical costs for water treatment.

Operating Expense, Recycled & Reclaimed Expenses

Ms. Warner reported that this line item was trending at budget for the year.

Total Expenses

Ms. Warner reported that the District's Total Expenses for the year was trending slightly higher than budgeted.

DISTRICT CAPITAL FY 2022-23 (UNAUDITED)

Ms. Warner reviewed the capital expenditures to date by project and provided a brief overview of the costs for December 2022.

MOTION: Recommend the Board ratify payment of the bills for consideration for February 9, 2023, as presented (Action Calendar) – Director Acosta

SECOND: Director Mandich

AYES: Directors Acosta & Mandich

NOES: None

ABSTAIN: None

MOTION PASSED/FAILED: Passed 2-0

ADJOURNMENT

Director Acosta adjourned the February 9, 2023 Finance/Audit Committee Meeting at 2:27 p.m.

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | MARCH 9, 2023**

FINANCIAL MATTERS

ITEM 2: RATIFICATION OF DIRECTORS' FEES AND EXPENSES, TENTATIVE FUTURE MEETINGS/ATTENDANCE

Directors' Fees and Expenses

Consistent with Board policy, Directors are reimbursed for expenses incurred while serving in their capacity as Directors. Additionally, Directors earn a per diem stipend for attendance at meetings or functions in their Director capacity. The attached spreadsheet provides a recap of the meetings, seminars, and/or conferences attended by Directors including direct reimbursables paid to each Director.

Future Meetings

Future meetings are identified for reference and designated directors are anticipated to attend. In the event an unanticipated meeting occurs that requires attendance by a director, the meeting attendance will be subsequently presented to the Board of Directors for ratification.

FUNDING SOURCE:

General Fund

FISCAL IMPACT (PROJECT BUDGET)

FY 2022/2023 Budgeted Board Expenses: \$43,000

RECOMMENDED ACTION:

Recommend that the Board ratify the Directors' fees and expenses for January 2023 and tentative future meetings/attendance. (Action Calendar)

EXHIBIT(S):

1. Directors' Fees and Expenses Report for February 2023
2. Directors' Tentative Future Meetings/Attendance – Calendar Year 2023.

CONTACTS (staff responsible): PALUDI/PEREA


**TRABUCO CANYON WATER DISTRICT
DIRECTORS' FEES AND EXPENSES MONTHLY REPORT | FEBRUARY 2023**

MEETING DESCRIPTION	ACOSTA	CHADD	DOPUDJA	MANDICH	SAFRANSKI
DISTRICT MEETINGS					
Engineering/Operational Committee Meeting			02/01/23		02/01/23
Executive Committee Meeting			02/06/23	02/06/23	
Finance/Audit Committee Meeting	02/09/23				02/09/23
Individual Meeting with General Manager	02/13/23	02/15/23	02/14/23	02/13/23	02/14/23
Regular Board Meeting	02/16/23	02/16/23	02/16/23	02/16/23	02/16/23
Special Board Meeting	02/28/23	02/28/23	02/28/23	02/28/23	02/28/23
REPRESENTATIVE MEETINGS					
City of Rancho Santa Margarita Council Meeting					02/22/23
City of Rancho Santa Margarita Planning Commission	02/01/23				
Independent Special Districts of Orange County (ISDOC) Monthly Meeting					
Independent Special Districts of Orange County (ISDOC) Quarterly Meeting					
OC LAFCO Regular Commission Meeting					
MWDOC Policy Dinner	02/09/23		02/09/23	02/09/23	02/09/23
MWDOC Board Meeting	02/15/23				
Urban Water Institute Annual Conference - Day One	02/22/23				
Urban Water Institute Annual Conference - Day Two	02/23/23				
Urban Water Institute Annual Conference - Day Three	02/24/23				
South Orange County Wastewater Authority (SOCWA) Regular Board Meeting			02/02/23		
Quarterly - South Orange County Integrated Regional Watershed Management Executive Committee					
Water Advisory Commission of Orange County (WACO)	02/03/23				
NUMBER OF MEETINGS ATTENDED	10	3	7	5	6
FEES (\$125 per each meeting*)	\$1,250.00	\$375.00	\$875.00	\$625.00	\$750.00
DIRECT REIMBURSABLE EXPENSES					
UWI Spring Conference - Palm Springs (Lodgings & Mileage only)	\$1,143.95				
DIRECT REIMBURSABLE EXPENSES TOTALS	\$1,143.95				
INDIRECT REIMBURSABLE EXPENSES					
INDIRECT REIMBURSABLE EXPENSES TOTALS					
TOTAL	\$2,393.95	\$375.00	\$875.00	\$625.00	\$750.00
<i>* Maximum per diem per day is one; maximum per diems per month is 10</i>					

DIRECTOR SIGNATURE

TRABUCO CANYON WATER DISTRICT | 2023 PUBLIC MEETING AND CONFERENCE CALENDAR

2023													
LINE ITEM	MEETING DESCRIPTION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
DISTRICT PUBLIC MEETINGS													
1	Executive Committee Meeting	01/03/23	02/06/23	03/06/23	04/03/23	05/01/23	06/05/23	07/03/23	08/07/23	09/05/23	10/02/23	11/06/23	12/04/23
2	Engineering/Operational Committee Meeting	01/04/23	02/01/23	03/01/23	04/05/23	05/03/23	06/07/23	07/05/23	08/02/23	09/06/23	10/04/23	11/01/23	12/06/23
3	Finance/Audit Committee Meeting	01/11/23	02/08/23	38//2023	04/12/23	05/10/23	06/14/23	07/14/23	08/09/23	09/13/23	10/11/23	11/08/23	12/13/23
4	Regular Board Meeting	01/19/23	02/16/23	03/16/23	04/20/23	05/18/23	06/15/23	07/20/23	08/17/23	09/21/23	10/19/23	11/16/23	12/21/23
5	District Properties Ad Hoc Committee Meeting	-	-	-	-	-	-	-	-	-	-	-	-
PUBLIC MEETINGS													
6	City of RSM City Council Meeting - Meeting No. 1	01/11/23	02/08/23	03/08/23	04/12/23	05/10/23	06/14/23	07/12/23	08/09/23	09/13/23	10/11/23	11/15/23	12/13/23
7	City of RSM City Council Meeting - Meeting No. 2	01/25/23	02/22/23	03/22/23	04/26/23	05/24/23	06/28/23	07/26/23	08/23/23	09/27/23	10/25/23	11/29/23	12/27/23
8	City of RSM Planning Commission Meeting	01/04/23	02/01/23	03/01/23	04/05/23	05/03/23	06/07/23	07/05/23	08/02/23	09/06/23	10/04/23	11/01/23	12/06/23
9	Independent Special Districts of Orange County Meeting - Executive	01/03/23	02/07/23	03/07/23	04/04/23	05/02/23	06/06/23	07/04/23	08/01/23	09/05/23	10/02/23	11/07/23	12/05/23
10	Independent Special Districts of Orange County Meeting - Quarterly	01/26/23	-	-	04/27/23	-	-	07/27/23	-	-	10/26/23	-	-
11	Orange County Local Agency Formation Commission (OC LAFCO)	01/11/23	02/08/23	03/08/23	04/12/23	05/10/23	06/14/23	07/12/23	08/09/23	09/13/23	10/11/23	11/08/23	12/13/23
12	Municipal Water District of Orange County (MWDOC) Board Meeting	01/18/23	02/15/23	03/15/23	04/19/23	05/17/23	06/21/23	07/19/23	08/16/23	09/20/23	10/18/23	11/15/23	12/20/23
13	Santiago Aqueduct Commission Meeting	-	-	03/16/23	-	-	06/15/23	-	-	09/21/23	-	-	12/21/23
14	Quarterly South Orange County Integrated Regional Watershed Management Executive Committee	-	-	03/02/23	-	05/04/23	-	-	08/03/23	-	-	11/02/23	-
15	Monthly South Orange County Integrated Regional Watershed Management Executive Committee	01/26/23	02/23/23	03/23/23	04/27/23	05/25/23	06/22/23	07/27/23	08/24/23	09/28/23	10/26/23	11/23/23	12/28/23
16	South Orange County Water Agencies Group Meeting*	01/26/23	-	03/23/23	-	05/25/23	-	07/27/23	-	09/28/23	-	11/23/23	-
17	South Orange County Wastewater Authority Regular Board Meeting	01/05/23	02/02/23	03/02/23	04/06/23	05/04/23	06/01/23	07/06/23	08/03/23	09/07/23	10/05/23	11/02/23	12/07/23
18	Water Advisory Committee of Orange County	01/06/23	02/03/23	03/03/23	04/07/23	05/05/23	06/02/23	07/07/23	08/04/23	09/01/23	10/06/23	11/03/23	12/01/23
CONFERENCES													
19	ACWA Spring Conference - Sacramento, CA												
20	ACWA Fall Conference - Indian Wells, CA												
21	CSDA Annual Conference -Monterey, CA								8/28 - 8/31				
22	CSDA GM Leadership Summit - Olympic Valley, CA						6/25 - 6/27						
23	Urban Water Institute (UWI) Annual Conference - Palm Springs, CA		2/22 - 2/24										
24	CSDA SDLA Conference - Napa, CA												
25	Colorado River Water User's Association (CRWUA) Annual Conference – Las Vegas, NV												12/13 - 12/15

LEGEND
 District Observed Holiday - Reschedule Meeting
 *4th Tuesday of the Odd Numbered Month

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | MARCH 9, 2023**

FINANCIAL MATTERS

ITEM 3: CONSIDERATION OF PROPOSED UPDATED PROCUREMENT GUIDELINES

At the June 20, 2018 Regular Board Meeting, the Board of Directors adopted updated Guidelines for the Procurement of Goods and Services and Cash Disbursements (Guidelines) by resolution (2018-1252) which codified District purchasing rules for goods and services and complied with certain federal and state laws related to grant funding/reimbursement and Department of Industrial Relations (DIR) requirements. District staff has worked with general counsel to update these Guidelines in a new format which captures existing District rules and practices and proposes certain recommended changes to ensure it meets any new updated requirements and internal practices. The following summary lists certain specific proposed guideline updates:

Section 3: Competitive Procurement

Updated to provide clarity and codify the use of a competitive procurement process for goods and services. As a county water district organized and operating under Water Code 30000 and following, the District is not required to utilize competitive procurement, but will utilize this process as a steward of public funds for services.

Section 4: Authority

Proposes to increase the General Manager's signing authority for procurement and agreements up to \$100,000 and provides limits to contract change orders and a process for notification to the Board of Directors.

Section 5: Written Agreements

Proposes new thresholds for purchase orders for goods and services and for the negotiation of agreements.

Section 8: Capital Construction Projects

Proposes a minimum project threshold of \$50,000 for review by the Engineering/Operational Committee; this is not a requirement, and staff may choose to review certain projects less than the threshold with the committee.

Section 9: Professional Services

Proposes a minimum threshold of \$50,000 for applicable committee review of a professional services contracts; this is not a requirement, and staff may choose to review certain projects less than the threshold with the committee.

Section 10: Emergencies

Proposes specific emergency criteria for the General Manager's authorization to commit agency funds to an emergency repair consistent with Resolution No. 2018-1252.

Section 12: Guidelines for Disbursements

Proposes a minimum threshold of \$50,000 for checks, wires, and electronic fund transfers that require Finance/Audit Committee review, approval, and/or signature; this is not a requirement, and staff may choose to review certain projects less than the threshold with the committee.

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | MARCH 9, 2023**

Section 13: Non-Discretionary Expenses

There are certain non-discretionary expenses which exceed the General Manager's proposed signing authority of \$100,000 which are incurred due to normal business operations. This section proposes to capture and list these typical approved non-discretionary expenses.

More information may be presented at the time of the meeting.

FUNDING SOURCE:

Not applicable

FISCAL IMPACT (PROJECT BUDGET)

Staff estimates a future net financial benefit to adopting the proposed procurement guidance updates.

RECOMMENDED ACTION:

Recommend the Board of Directors adopt the proposed updated Procurement Guidelines updates by Resolution (Action Calendar).

EXHIBIT:

1. DRAFT Trabuco Canyon Water District Procurement Guidelines– REDLINED
2. DRAFT Trabuco Canyon Water District Procurement Guidelines – CLEAN

CONTACTS (staff responsible): PALUDI/PEREA

TRABUCO CANYON WATER DISTRICT

PROCUREMENT PURCHASING POLICY & GUIDELINES

1. Goals/Objectives

1.1 The Trabuco Canyon Water District (“TCWD” or “District”) seeks to obtain, wherever possible, high-quality materials, supplies, and services at a reasonable value and in a timely manner.

1.2 The purposes of this Procurement Policy include: 1) to promote efficiency and clarity in the District’s procurement process; 2) to provide guidance on proper standards of conduct by employees, officers, and the Board of Directors of the District; 3) to ensure compliance with applicable laws and regulations; and 4) promote the appropriate transparency in the District’s procurement processes to ensure that the District’s funds are expended in a reasonable manner. To that end, this Policy has been prepared to provide direction to District personnel engaged in procurement of materials, supplies, and services.

2. Conflicts of Interest

No director, officer, employee or agent of the District shall participate in any procedure, tasks, or decisions relative to initiation, evaluation, award, or administration of a contract if a conflict of interest, real or apparent, exists. A conflict of interest arises when (a) the director, officer, employee or agent, (b) any member of his or her immediate family, (c) his or her business associate, or (d) an organization which employs, or which is about to employ, any of the above described individuals has a financial or other interest in a firm that participates in a District procurement process or that is selected for an award. The standards governing the determination as to whether such an interest exists are set forth in the Political Reform Act (Section 8100 et seq. of the California Government Code) and in Sections 1090, 1091, and 1091.5 of the California Government Code.

3. Competitive Procurement

3.1 It ~~shall be its~~ TCWD’s goal to utilize a competitive procurement process ~~to the extent when reasonably~~ possible, whether by informal bidding or formal bidding. The method of procurement, such as informal bids or formal competitive bidding shall be appropriate for the type of procurement and in the best interest of the District.

3.2 Where possible, the District will obtain a minimum of three quotes, bids or proposals, as applicable, prior to the procurement of goods and/or services. The receipt of less than three quotes, bids or proposals shall not invalidate the solicitation process or require the solicitation of additional quotes, bids or proposals. Some goods and services may only be available from fewer than three vendors/providers. Where this is the case, the goal shall be to obtain more than one quote, bid or proposal where possible; subject to ~~the following paragraph.~~ Section 3.4 and 3.5.

3.3 The District may purchase items or services without further competition under the following conditions:

3.3.1 If the District rejects bids received in connection with a procurement of materials, supplies and equipment requiring formal competitive bidding, or

3.3.2 When no responsive bids or proposals are received in response to an Invitation to Bid or Request for Proposals, in which case the General Manager is authorized to procure the required item or services through direct negotiations with a vendor or to resolicit as appropriate.

3.4 Notwithstanding anything to the contrary in this Policy, it is expressly acknowledged that the District is a county water district, organized and operating in accordance with Water Code Sections 30000 and following, that is not mandated by State law to bid competitively and that, to the extent the District determines that competitive bidding is unavailing or not in the best interest of the District, the District may choose not to utilize competitive bidding for construction projects, contract for design-build work, enter into cooperative agreements with private entities for the design, construction and maintenance of public works, utilize job-order contracting, or undertake any other form of contracting determined to be in the District's best interest, except as otherwise expressly restricted by law.

~~3.3.5~~ Sole source procurement must be deemed appropriate by the General Manager. In the event it is necessary for a good or service to be sole sourced, a written memo shall be provided by, or written to, the General Manager for approval. The memo must include a complete and specific justification of the sole source procurement for the referenced project(s). The TCWD Board of Directors (Board) will be notified annually of all sole sourced contracts entered into by TCWD.

4. Authority. The General Manager is authorized to procure goods and services in accordance with the budget approved by the District's Board of Directors and with the limits established in this Section.

4.1 Board Authority is required for all procurements over \$100,000.

4.2 The General Manager is authorized to approve all procurements, execute agreements, amend agreements and change orders in an amount up to \$100,000.

4.3 Change Orders. When the original contract exceeds \$100,000 (and has been approved by the board), the General Manager may approve subsequent amendments and change orders up to a total cumulative amount not to exceed \$100,000.

4.3.1 If the cumulative change orders are anticipated to exceed \$100,000, there will be no further change orders until the Board authorizes additional funds for the project under the terms of the agreement (subject to change order terms). The Engineering/Operational Committee shall review all requests for additional construction funds.

4.3.2 The General Manager is authorized to approve an emergency field change order when failure to authorize the change order will cause TCWD to incur significant additional

costs and/or significant delays, even if the change order will exceed the General Manger’s delegated authority. The General Manager will promptly inform the Board of such action(s). The Engineering/Operational Committee will review the change order and the Board will consider ratification of the General Manager’s decision(s).

4.3.3 All change orders shall be in written form and executed by the General Manager or the General Manager’s designee(s).

5. Written Agreements

~~Competitive procurement and written agreements will be required for the acquisition of all goods and services that will cost \$3,500 or more per year.~~

~~Competitive procurement~~Written Agreements or Purchase Orders will be required for the acquisition of all goods and services, and District staff will adhere to the following threshold limits for the respective purchase types:

- Purchase orders for ~~all~~ supplies, equipment, and materials up to \$100,000.
- Purchase orders for professional/non-professional/construction work under \$50,000 with a current on-call services agreement.
- ~~Contracts/Negotiated~~ Agreements for professional/non-professional/construction work over \$50,000.

The above thresholds are intended as general guidance to the District, and the District may substitute a negotiated agreement in place of a purchase order any time the circumstances warrant, such as a complex or unique procurement.

The General Manager is authorized to approve and execute all agreements for the acquisition of goods and services in accordance with the approved annual budget. Written agreements, within the limits set by the annual budget, may be for one-year, or multi-year with annual renewals. It is TCWD’s policy that contracts shall not normally include terms for automatic renewal(s).

6. Public Works Contractor Registration Certification Requirements

6.1 Pursuant to Labor Code Sections 1725.5 and 1771.1, all contractors and subcontractors that wish to bid on, be listed in a bid proposal, or enter into a contract to perform public work must be registered with the California Department of Industrial Relations (DIR) if the small project exemption is not met. The small project exemption applies for all public works projects that do not exceed twenty-five thousand dollars (\$25,000) for new construction, alteration, installation, demolition, or repair and fifteen thousand dollars (\$15,000) for maintenance. See <http://www.dir.ca.gov/Public-Works/PublicWorks.html> for additional information. All parties involved should be aware that for federally funded projects, contractors and subcontractors must be registered to perform public work pursuant to Labor Code section 1725.5 at the time the contract is awarded.

6.2 As defined by California Labor Code Sections 1720 et seq., “public works” includes construction, alteration, demolition, installation, or repair work done under contract and paid for in whole or in part out of public funds. Maintenance work is also included in this

definition as a public work. A public works project greater than one thousand dollars (\$1,000) triggers the registration requirement and further requires that not less than the general prevailing rate of per diem wages be paid to all workers employed on the public work, but does not require registration with the DIR. A public works project that exceeds (\$25,000) for new construction, alteration, installation, demolition, or repair and fifteen thousand dollars (\$15,000) for maintenance triggers the registration requirement with the DIR.

6.3 No bid or proposal will be accepted, nor any contract entered into without proof of the contractor's and subcontractor's current registration with the DIR to perform public work unless the small project exemption shall apply; provided however, for federally funded projects, contractors and subcontractors must be registered to perform public work pursuant to Labor Code Section 1725.5 at the time of contract award.

7. Prequalification of Contractors/Vendors

7.1 The District may periodically establish a list of contractors for various types of work by requiring each prospective contractor to complete and submit to the District a standardized questionnaire and financial statement including a complete statement of the prospective contractor's experience in performing public works or specific types of public works projects. The District shall determine, using standard criteria, whether a contractor/vendor is qualified for the performance of such work for the District. If the District has prequalified contractors and/or vendors, the District shall update each list of qualified vendors for various types of work periodically as necessary, but not less than every five (5) years. For federally funded contracts, vendors shall be permitted, to the extent required by applicable federal law and/or regulations, to be qualified up until the date and time set for receipt of bids/proposals and have provided proof of registration certification with the DIR (as described herein) if the project does not meet the small project exemption.

7.2 For federally funded contracts, vendors shall be permitted, to the extent required by applicable federal law and/or regulations, to be qualified up until the date and time set for receipt of bids/proposals and have provided proof of registration certification with the DIR if the project does not meet the small project exemption.

8. Capital Construction Projects

For capital construction projects, the following procedures will apply:

8.1 **Bid and Award.** The Engineering/Operational Committee will review all bids on a project when TCWD staff proposes to recommend approval of a bid for a project that is greater than \$50,000, or the General Manager's signing authority. The Board may award the bid and authorize an amount for the project/construction that may include a contingency. Unless otherwise directed by the Board, the General Manager shall execute approved construction contracts.

9. Professional Services

When professional services are required, the following procedures will apply:

9.1 Professional service providers are defined as attorneys, engineering consultants, real property consultants/appraisers, water quality consultants, architects, auditors, actuarial consultants, financial advisors, human resource consultants, information systems/technology consultants, meeting facilitators and firms hired to perform construction inspection, construction management and/or engineering surveying.

9.2 If the work of a professional service provider is anticipated to cost more than \$50,000 per year, the selection of the professional service provider will be reviewed by the appropriate Board Committee and will be subject to approval by the Board. The Board will authorize a budgeted amount for the specified work. Unless otherwise specified by the Board, the General Manager is authorized to approve and execute the agreement between TCWD and the approved professional service provider.

9.3 If the cost of the work is anticipated to exceed the amount authorized by the Board there will be no further work until the Board authorizes additional funds. The appropriate Board Committee will review all requests for additional funds.

10. Emergencies

In the event of an emergency case of any sudden, unexpected occurrence that poses a clear and imminent danger or requires immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public service, the Board authorizes the General Manager ~~has~~ full authority to commit TCWD funds in excess of the approved budget limits, or reallocation of funds within those limits, in accordance with, and subject to the limitations set out in Resolution No. 2018-1252.

11. Federal Procurement Addendum for Supplies, Equipment, and Materials Purchase Orders, or Services Contracts

In the event a contract for goods and/or services includes federal funding, TCWD shall require the proposed vendor to comply with any applicable laws and procedures, in addition to fulfilling any procurement requirements of non-federally funded purchase orders or service contracts.

12. Guidelines for Disbursements

12.1 The use and expenditure of all TCWD funds is subject to Resolution No. 2018-1252: Delegation of Authority to the General Manager.

12.2 Wherever in this policy the General Manager is delegated authority, such authority will include the designee of the General Manager.

12.3 All checks, wires, electronic funds transfer authorizations and other documents (except petty cash requests) containing instructions that cause funds to leave TCWD's control shall have two authorized signatures. Authorized signers are:

- Members of the Board of Directors
- General Manager

District Secretary
Treasurer/Chief Financial Officer
Assistant Treasurer

12.4 Electronic or facsimile signatures may be used on routine payments provided adequate safeguards are used to protect the signature plates, chip, or other source. Such safeguards shall be set out in writing.

12.5 An authorized manager or supervisor can approve petty cash requests subject to the limits of TCWD's current petty cash policy.

12.6 The General Manager, or his/her designee, District Treasurer, and Senior Accountant may authorize inter-bank transfers for purposes of satisfying payroll requirements.

12.7 The Finance/Audit Committee shall review and sign, or approve, as applicable, checks, wires and electronic fund transfer authorizations that meet the following criteria:

12.7.1 **\$50,000** or more will leave TCWD's control except when paying for:

- (a) Payroll or payroll related expenses, including employee benefits;
- (b) Utilities;
- (c) Chemicals used in water treatment; and./or
- (d) Water and water related costs to the Municipal Water District of

Orange County or other agencies from which the District may purchase water or water related services.

12.7.2 \$1,000 or more payable to employees or members of the Board for any purpose other than payroll, except when the reimbursement request has been previously approved through the Finance/Audit Committee process. All reimbursements to Board members shall be subject to TCWD's current Board Reimbursement Policies.

13. NON-DISCRETIONARY EXPENSES

Non-discretionary Expenses are items that do not require Board Action for payment, ~~including those that even when such expenses~~ exceed the General Manager's approval limit of \$100,000. Non-Discretionary Expenses ~~are listed under~~include, but are not limited to, ~~two categories known those listed below, as Bond Related/Contractual Agreements/Budgeted Expenses and Essential Expenses.~~

Bond Related/Contractual Agreements/Budgeted Expenses

- Arbitrage Rebate Payment
- Bank Fees
- Bonds
- Cash Management Fees for Bond funds – Investment Portfolio Manager

Cash Management Fees for Operating funds – Investment Portfolio Manager
Computer System Maintenance Contracts, including HVAC Equipment/Support and IT Systems
County Regional Participation – OC LAFCO Costs
County Tax Collection Fees – including, but not limited to, General Fund and Bond Funds
Customer Bill Processing and Distribution
Debt Service Payments

[Payments related to Joint Powers Agreements](#),—including, but not limited to, [the District's participation in the South Orange County Wastewater Authority \(SOCWA\)](#)~~-participation~~

Loans

Operating Leases:

- Baker Water Treatment Plant Operating & Maintenance
- Chiquita System Quarterly Operating & Maintenance

State Regulatory Fees – Permit Fees for Dams and other District Facilities

Trustee Fees

Essential Expenses

Drinking Water for Treatment Plants

Chemicals/Media

Employee Payroll and Benefits Payments, including, but not limited to:

- CalPERS Pension/Health Benefit Payments/OPEB Trust/Pension Trust
- Dental & Vision Benefit Payments
- Flexible Spending Plan Payments
- Life Insurance Payments

Federal and State Employee Taxes

Fuel: bulk and gasoline credit card purchases

Medicare Tax

Metering Equipment

Sales and Use Tax Payments

Solids and Residual Disposal

Trash Disposal

Utilities (includes power, gas, phone, mobile phones, postage, & data lines/communications)

Water Purchases

TRABUCO CANYON WATER DISTRICT
PURCHASING POLICY & GUIDELINES

1. Goals/Objectives

1.1 The Trabuco Canyon Water District (“TCWD” or “District”) seeks to obtain, wherever possible, high-quality materials, supplies, and services at a reasonable value and in a timely manner.

1.2 The purposes of this Procurement Policy include: 1) to promote efficiency and clarity in the District's procurement process; 2) to provide guidance on proper standards of conduct by employees, officers, and the Board of Directors of the District; 3) to ensure compliance with applicable laws and regulations; and 4) promote the appropriate transparency in the District's procurement processes to ensure that the District's funds are expended in a reasonable manner. To that end, this Policy has been prepared to provide direction to District personnel engaged in procurement of materials, supplies, and services.

2. Conflicts of Interest

No director, officer, employee or agent of the District shall participate in any procedure, tasks, or decisions relative to initiation, evaluation, award, or administration of a contract if a conflict of interest, real or apparent, exists. A conflict of interest arises when (a) the director, officer, employee or agent, (b) any member of his or her immediate family, (c) his or her business associate, or (d) an organization which employs, or which is about to employ, any of the above described individuals has a financial or other interest in a firm that participates in a District procurement process or that is selected for an award. The standards governing the determination as to whether such an interest exists are set forth in the Political Reform Act (Section 8100 et seq. of the California Government Code) and in Sections 1090, 1091, and 1091.5 of the California Government Code.

3. Competitive Procurement

3.1 It is TCWD’s goal to utilize a competitive procurement process when reasonably possible, whether by informal bidding or formal bidding. The method of procurement, such as informal bids or formal competitive bidding shall be appropriate for the type of procurement and in the best interest of the District.

3.2 Where possible, the District will obtain a minimum of three quotes, bids or proposals, as applicable, prior to the procurement of goods and/or services. The receipt of less than three quotes, bids or proposals shall not invalidate the solicitation process or require the solicitation of additional quotes, bids or proposals. Some goods and services may only be available from fewer than three vendors/providers. Where this is the case, the goal shall be to obtain more than one quote, bid or proposal where possible; subject to Section 3.4 and 3.5.

3.3 The District may purchase items or services without further competition under the following conditions:

3.3.1 If the District rejects bids received in connection with a procurement of materials, supplies and equipment requiring formal competitive bidding, or

3.3.2 When no responsive bids or proposals are received in response to an Invitation to Bid or Request for Proposals, in which case the General Manager is authorized to procure the required item or services through direct negotiations with a vendor or to resolicit as appropriate.

3.4 Notwithstanding anything to the contrary in this Policy, it is expressly acknowledged that the District is a county water district, organized and operating in accordance with Water Code Sections 30000 and following, that is not mandated by State law to bid competitively and that, to the extent the District determines that competitive bidding is unavailing or not in the best interest of the District, the District may choose not to utilize competitive bidding for construction projects, contract for design-build work, enter into cooperative agreements with private entities for the design, construction and maintenance of public works, utilize job-order contracting, or undertake any other form of contracting determined to be in the District's best interest, except as otherwise expressly restricted by law.

3.5 Sole source procurement must be deemed appropriate by the General Manager. In the event it is necessary for a good or service to be sole sourced, a written memo shall be provided by, or written to, the General Manager for approval. The memo must include a complete and specific justification of the sole source procurement for the referenced project(s). The TCWD Board of Directors (Board) will be notified annually of all sole sourced contracts entered into by TCWD.

4. Authority. The General Manager is authorized to procure goods and services in accordance with the budget approved by the District's Board of Directors and with the limits established in this Section.

4.1 Board Authority is required for all procurements over \$100,000.

4.2 The General Manager is authorized to approve all procurements, execute agreements, amend agreements and change orders in an amount up to \$100,000.

4.3 Change Orders. When the original contract exceeds \$100,000 (and has been approved by the board), the General Manager may approve subsequent amendments and change orders up to a total cumulative amount not to exceed \$100,000.

4.3.1 If the cumulative change orders are anticipated to exceed \$100,000, there will be no further change orders until the Board authorizes additional funds for the project under the terms of the agreement (subject to change order terms). The Engineering/Operational Committee shall review all requests for additional construction funds.

4.3.2 The General Manager is authorized to approve an emergency field change order when failure to authorize the change order will cause TCWD to incur significant additional

costs and/or significant delays, even if the change order will exceed the General Manger's delegated authority. The General Manager will promptly inform the Board of such action(s). The Engineering/Operational Committee will review the change order and the Board will consider ratification of the General Manager's decision(s).

4.3.3 All change orders shall be in written form and executed by the General Manager or the General Manager's designee(s).

5. Written Agreements

Written Agreements or Purchase Orders are required for the acquisition of all goods and services, and District staff will adhere to the following threshold limits for the respective purchase types:

- Purchase orders for supplies, equipment, and materials up to \$100,000.
- Purchase orders for professional/non-professional/construction work under \$50,000 with a current on-call services agreement.
- Negotiated Agreements for professional/non-professional/construction work over \$50,000.

The above thresholds are intended as general guidance to the District, and the District may substitute a negotiated agreement in place of a purchase order any time the circumstances warrant, such as a complex or unique procurement.

The General Manager is authorized to approve and execute all agreements for the acquisition of goods and services in accordance with the approved annual budget. Written agreements, within the limits set by the annual budget, may be for one-year, or multi-year with annual renewals. It is TCWD's policy that contracts shall not normally include terms for automatic renewal(s).

6. Public Works Contractor Registration Certification Requirements

6.1 Pursuant to Labor Code Sections 1725.5 and 1771.1, all contractors and subcontractors that wish to bid on, be listed in a bid proposal, or enter into a contract to perform public work must be registered with the California Department of Industrial Relations (DIR) if the small project exemption is not met. The small project exemption applies for all public works projects that do not exceed twenty-five thousand dollars (\$25,000) for new construction, alteration, installation, demolition, or repair and fifteen thousand dollars (\$15,000) for maintenance. See <http://www.dir.ca.gov/Public-Works/PublicWorks.html> for additional information. All parties involved should be aware that for federally funded projects, contractors and subcontractors must be registered to perform public work pursuant to Labor Code section 1725.5 at the time the contract is awarded.

6.2 As defined by California Labor Code Sections 1720 et seq., "public works" includes construction, alteration, demolition, installation, or repair work done under contract and paid for in whole or in part out of public funds. Maintenance work is also included in this definition as a public work. A public works project greater than one thousand dollars (\$1,000) triggers the registration requirement and further requires that not less than the general prevailing

rate of per diem wages be paid to all workers employed on the public work, but does not require registration with the DIR. A public works project that exceeds (\$25,000) for new construction, alteration, installation, demolition, or repair and fifteen thousand dollars (\$15,000) for maintenance triggers the registration requirement with the DIR.

6.3 No bid or proposal will be accepted, nor any contract entered into without proof of the contractor’s and subcontractor’s current registration with the DIR to perform public work unless the small project exemption shall apply; provided however, for federally funded projects, contractors and subcontractors must be registered to perform public work pursuant to Labor Code Section 1725.5 at the time of contract award.

7. Prequalification of Contractors/Vendors

7.1 The District may periodically establish a list of contractors for various types of work by requiring each prospective contractor to complete and submit to the District a standardized questionnaire and financial statement including a complete statement of the prospective contractor’s experience in performing public works or specific types of public works projects. The District shall determine, using standard criteria, whether a contractor/vendor is qualified for the performance of such work for the District. If the District has prequalified contractors and/or vendors, the District shall update each list of qualified vendors for various types of work periodically as necessary, but not less than every five (5) years. For federally funded contracts, vendors shall be permitted, to the extent required by applicable federal law and/ or regulations, to be qualified up until the date and time set for receipt of bids/proposals and have provided proof of registration certification with the DIR (as described herein) if the project does not meet the small project exemption.

7.2 For federally funded contracts, vendors shall be permitted, to the extent required by applicable federal law and/ or regulations, to be qualified up until the date and time set for receipt of bids/proposals and have provided proof of registration certification with the DIR if the project does not meet the small project exemption.

8. Capital Construction Projects

For capital construction projects, the following procedures will apply:

8.1 **Bid and Award.** The Engineering/Operational Committee will review all bids on a project when TCWD staff proposes to recommend approval of a bid for a project that is greater than \$50,000, or the General Manager’s signing authority. The Board may award the bid and authorize an amount for the project/construction that may include a contingency. Unless otherwise directed by the Board, the General Manager shall execute approved construction contracts.

9. Professional Services

When professional services are required, the following procedures will apply:

9.1 Professional service providers are defined as attorneys, engineering consultants, real property consultants/appraisers, water quality consultants, architects, auditors, actuarial

consultants, financial advisors, human resource consultants, information systems/technology consultants, meeting facilitators and firms hired to perform construction inspection, construction management and/or engineering surveying.

9.2 If the work of a professional service provider is anticipated to cost more than \$50,000 per year, the selection of the professional service provider will be reviewed by the appropriate Board Committee and will be subject to approval by the Board. The Board will authorize a budgeted amount for the specified work. Unless otherwise specified by the Board, the General Manager is authorized to approve and execute the agreement between TCWD and the approved professional service provider.

9.3 If the cost of the work is anticipated to exceed the amount authorized by the Board there will be no further work until the Board authorizes additional funds. The appropriate Board Committee will review all requests for additional funds.

10. Emergencies

In the case of any sudden, unexpected occurrence that poses a clear and imminent danger or requires immediate action to prevent or mitigate the loss or impairment of life, health, property , or essential public service, the Board authorizes the General Manager full authority to commit TCWD funds in excess of the approved budget limits, or reallocation of funds within those limits, in accordance with, and subject to the limitations set out in Resolution No. 2018-1252.

11. Federal Procurement Addendum for Supplies, Equipment, and Materials Purchase Orders, or Services Contracts

In the event a contract for goods and/or services includes federal funding, TCWD shall require the proposed vendor to comply with any applicable laws and procedures, in addition to fulfilling any procurement requirements of non-federally funded purchase orders or service contracts.

12. Guidelines for Disbursements

12.1 The use and expenditure of all TCWD funds is subject to Resolution No. 2018-1252: Delegation of Authority to the General Manager.

12.2 Wherever in this policy the General Manager is delegated authority, such authority will include the designee of the General Manager.

12.3 All checks, wires, electronic funds transfer authorizations and other documents (except petty cash requests) containing instructions that cause funds to leave TCWD’s control shall have two authorized signatures. Authorized signers are:

- Members of the Board of Directors
- General Manager
- District Secretary
- Treasurer/Chief Financial Officer
- Assistant Treasurer

12.4 Electronic or facsimile signatures may be used on routine payments provided adequate safeguards are used to protect the signature plates, chip, or other source. Such safeguards shall be set out in writing.

12.5 An authorized manager or supervisor can approve petty cash requests subject to the limits of TCWD’s current petty cash policy.

12.6 The General Manager, or his/her designee, District Treasurer, and Senior Accountant may authorize inter-bank transfers for purposes of satisfying payroll requirements.

12.7 The Finance/Audit Committee shall review and sign, or approve, as applicable, checks, wires and electronic fund transfer authorizations that meet the following criteria:

12.7.1 \$50,000 or more will leave TCWD’s control except when paying for:

- (a) Payroll or payroll related expenses, including employee benefits;
- (b) Utilities;
- (c) Chemicals used in water treatment; and./or
- (d) Water and water related costs to the Municipal Water District of

Orange County or other agencies from which the District may purchase water or water related services.

12.7.2 \$1,000 or more payable to employees or members of the Board for any purpose other than payroll, except when the reimbursement request has been previously approved through the Finance/Audit Committee process. All reimbursements to Board members shall be subject to TCWD’s current Board Reimbursement Policies.

13. NON-DISCRETIONARY EXPENSES

Non-discretionary Expenses are items that do not require Board Action for payment, even when such expenses exceed the General Manager’s approval limit of \$100,000. Non-Discretionary Expenses include, but are not limited to, those listed below.

Bond Related/Contractual Agreements/Budgeted Expenses

- Arbitrage Rebate Payment
- Bank Fees
- Bonds
- Cash Management Fees for Bond funds – Investment Portfolio Manager
- Cash Management Fees for Operating funds – Investment Portfolio Manager
- Computer System Maintenance Contracts, including HVAC Equipment/Support and IT Systems
- County Regional Participation – OC LAFCO Costs
- County Tax Collection Fees – including, but not limited to, General Fund and Bond Funds
- Customer Bill Processing and Distribution
- Debt Service Payments

Payments related to Joint Powers Agreements, including, but not limited to, the District's participation in the South Orange County Wastewater Authority (SOCWA)

Loans

Operating Leases:

- Baker Water Treatment Plant Operating & Maintenance
- Chiquita System Quarterly Operating & Maintenance

State Regulatory Fees – Permit Fees for Dams and other District Facilities

Trustee Fees

Essential Expenses

Drinking Water for Treatment Plants

Chemicals/Media

Employee Payroll and Benefits Payments, including, but not limited to:

- CalPERS Pension/Health Benefit Payments/OPEB Trust/Pension Trust
- Dental & Vision Benefit Payments
- Flexible Spending Plan Payments
- Life Insurance Payments

Federal and State Employee Taxes

Fuel: bulk and gasoline credit card purchases

Medicare Tax

Metering Equipment

Sales and Use Tax Payments

Solids and Residual Disposal

Trash Disposal

Utilities (includes power, gas, phone, mobile phones, postage, & data lines/communications)

Water Purchases

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | MARCH 9, 2023**

FINANCIAL MATTERS

ITEM 4: AMENDMENT NO. 1 TO AGREEMENT WITH IB CONSULTING FOR RATE STUDY AND CAPACITY CHARGE UPDATE

IB Consulting (IBC), through their key staff Habib Isaac and Andrea Boehling, have been assisting the District with the current rate study, which began in May 2022 and is anticipated to conclude with the adoption of a new schedule of rates and charges towards the end of fiscal year 2022-2023. Your Board approved the professional services agreement with IBC in April 2022. The on-going rate study is a very thorough review and evaluation of the District's existing rate structure. One element of IBC's work thus far that District staff requested and was not envisioned nor included in the original scope of work is the water supply analysis (water supply source priority and unit cost) that helps form the basis for the single-family residential consumption tiers. This work element has resulted in an additional \$12,500 of consultant expenses, which exceeds the board-authorized project contingency of \$9,762 (IBC is projected to completely spend the original contract budget).

Separately, staff has also requested that IBC update the District's water and wastewater capacity fees, which are one-time charges levied against new connections to recover the proportionate share of infrastructure capacity needed to serve new development. The completion of the recent Master Plan/Condition Assessment of the District's systems and assets is an appropriate milestone for updating capacity fees; the last update that included a review of the methodology for calculating the fees was following the 1999 Master Plan.

IB Consulting is well-qualified to perform this work and has provided staff with a proposal that includes a scope of services and cost/fee schedule, included with this staff report as Exhibit 1. The proposal includes four tasks totaling \$19,145. If the contract amendment is approved by the Board, staff will authorize the first two tasks including data collection and fee analysis. Staff will review the proposed fees with the Board before authorizing the development of the final report and public hearing.

FUNDING SOURCE:

General Fund

FISCAL IMPACT (PROJECT BUDGET)

Notes:

Total Original Project Budget	\$107,382	Includes 10% contingency (\$9,762)
Additional Work on Rate Study	\$12,500	
Capacity Fee Updates	\$19,145	\$31,645 = Total additional requested
New Contract Budget as Amended	\$139,027	New total not-to-exceed amount

Recommended Action:

Recommend the Board of Directors authorize the General Manager to execute Amendment No. 1 to Professional Services Agreement with IB Consulting in the amount of \$31,645 for a total not-to-exceed amount of \$139,027 (Action Calendar).

EXHIBITS:

1. TCWD Water & Wastewater Capacity Fee Study, IB Consulting

CONTACTS (staff responsible): PALUDI/PEREA



Solutions through Collaboration

Water and Wastewater Capacity Fee Study

Submittal Date:

December 29, 2022

Scope of Services

IB Consulting, LLC (IB Consulting) is pleased to provide the below scope of services for updating Trabuco Canyon Water District's (District) Capacity Fees. Capacity fees are one-time charges levied against new connections to recover the proportionate share of infrastructure capacity needed to serve new development, causing an increase in the required capacity to serve the new incremental demand. Capacity fees are governed by California Government Code Section 66013 and must also comply with the provisions of sections 66016, 66022, and 66023 for adopting fees and ongoing administration of such fees.

The primary intent of capacity fees is to ensure growth pays its fair share of cost and existing customers are not subsidizing the cost to accommodate growth. Conversely, it is also equally important that any existing deficiencies with the current system are not inadvertently incorporated into the capacity fees. There are commonly accepted industry standards for establishing and updating capacity fees, published within the American Water Works Association (AWWA) M1 Manual. The two primary approaches include the Buy-In approach (Buy-In) and the Incremental Cost approach (Incremental). In certain cases, a combination of the two approaches may also be considered when existing facilities still have the capacity to accommodate growth, but new improvements are also required. Utilizing both approaches is commonly referred to as the "Hybrid" approach, and our scope of work will review each approach to determine which one should be used for the capacity fee update.

Task 1: Data Collection and Kick-Off Meeting

As part of project initiation, we will hold a webinar with District staff to discuss the overall approach, the initial timeline for project completion, and identify milestones within the project schedule. To ensure a productive kick-off meeting, we will first provide a data request of the items required for updating the capacity fees. The data request will include planning documents, fiscal policies, existing customer account data (may need to update our current data), growth projections, and updated master plans. The kick-off meeting will be scheduled approximately two weeks after the data request to provide adequate time for compiling and reviewing the data before the kick-off meeting. The kick-off meeting will go through any clarifying questions regarding the data, and we will identify any policy considerations that require further discussion with District staff.

Meetings: One kick-off meeting with staff to discuss the data needs and overall approach.

Deliverable: One data request, agenda for kick-off meeting.

TASK 2: Capacity Fee Analysis

The District's existing customer base for each utility will be analyzed and cataloged based on meter size for water, and EDUs for wastewater. We will review the existing approach and determine if adjustments should be made. Using meter capacity provides a clear connection to future demands on the water system and the additional capacity required to serve growth. Wastewater would still be EDU-based and recalibrated to reflect the existing design standards and definition of an EDU.

With the District substantially built out, we will use the Buy-In Method of updating the District's capacity fees. We will review the current utility asset values and bring forward the system value into today's dollars by indexing each asset line item by the Construction Cost Index published by the Engineer's News Record (Replacement Cost or RC). Our analysis will also account for the time period each improvement has been in service to appropriately discount the Replacement Cost by the years of service the system has been in place. Doing so provides a more accurate fair share allocation to new development for existing capacity. The Buy-In premise is for new development to pay its share of previously built improvements funded by existing customers or financed through existing debt.

The updated capacity fees will outline the methodology used in deriving updated capacity fees. Water capacity fees will be by meter size. The wastewater updated capacity fee will be per EDU as meter sizes are not factored into wastewater capacity fee analysis. However, it is always important to review what one EDU means in terms of projected flow to ensure the amount reflects current trends and ties to the total influent treated.

Adjusting the EDU flow and connecting it to the amount of actual treated influent ensures the updated wastewater capacity fees are cost-based and do not exceed the cost of serving new connections. The capacity fee model will clearly identify inputs driving the analysis, options available for running different scenarios (usually identified through a pull-down menu), and results compared to the existing capacity fees and capacity fees around the local area.

Meetings: Webinars as needed with staff to walk-through capacity fee models. We will identify key inputs, analysis for updated capacity fees, and the proposed capacity fees for each utility.

Deliverable: Excel-based capacity fee model with each enterprise included.

Task 3: Capacity Fee Report

Once the analysis is complete and final capacity fees have been determined, we will draft a Capacity Fee Report (Report) in compliance with the corresponding Government Code statutes for the District's administrative record. Our Report will document assumptions, the methodology and walk the reader through the underlying calculations that derive the updated Capacity Fees. We expect two iterations of the Report to incorporate edits and comments from District staff and District Attorney. The final report will be prepared and available as part of the noticing requirements and Public Hearing. Noticing includes the publication of the proposed capacity fees in a locally circulated newspaper as required within Government Code Section 66016.

Meetings: Webinars to walk through the Report, if necessary.

Deliverable: Preliminary Report and Final Report.

Task 4: Public Hearing

We will also be in attendance at the Public Hearing to answer any technical questions and we will provide a brief PowerPoint presentation, if desired, summarizing the Report, our findings, and proposed capacity fees.

Meetings: One (1) meeting to attend Public Hearing.

Deliverable: PowerPoint, if necessary.

Cost Estimate

Below is our not-to-exceed cost estimate for the scope of services outlined herein. We will bill monthly based on our hourly rates. We will work with District staff to adjust the fee schedule if any changes to the detailed scope are requested.

Tasks	Description	H. Isaac Principal \$225	A. Boehling Principal \$225	L. Demine Sr. Consultant \$190	Estimated Hours	Estimated Cost
1	Data Collection and Kick-Off Meeting	2	2	12	16	\$3,180
2	Capacity Fee Analysis	8	8	24	40	\$8,160
3	Capacity Fee Report	24	4	2	30	\$6,680
4	Public Hearing	5	-	-	5	\$1,125
Subtotal		39	14	38	91	\$19,145

FY 2023 Hourly Rate Schedule		\$/ Hr
Habib Isaac - Principal		\$225
Andrea Boehling - Principal		\$225
Lauren Demine - Sr. Consultant		\$190



**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | MARCH 9, 2023**

**FINANCIAL MATTERS
ITEM 5: OTHER MATTERS**

RECOMMENDED ACTION:

Hear Other Matters from the General Manager or District Staff.

CONTACTS (staff responsible): PALUDI/PEREA

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | MARCH 9, 2023**

**FINANCIAL MATTERS
ITEM 6: FINANCIAL REPORT**

A) PRESENTATION OF PRELIMINARY UNAUDITED FINANCIAL STATEMENTS

RECOMMENDED ACTION:

Recommend that the Board receive and file the preliminary unaudited financial statements for January 2023 (Consent Calendar).

B) BILLS FOR CONSIDERATION

The total of the bills for consideration will be presented at the time of the March 9, 2023 Finance/Audit Committee Meeting.

RECOMMENDED ACTION:

Approve and ratify the bills for consideration and warrant register and recommend that the Board ratify payment of the Bills for Consideration for March 9, 2023 as presented (Consent Calendar).

CONTACTS (staff responsible): PALUDI/PEREA/WARNER



Trabuco Canyon Water District

District Operations

FY 2022/23 (Unaudited)

	January 2023	YTD Actual	FY 23 Adopted Budget	YTD 58%
1 Operating Revenue				
2 Water Commodity Sales	\$ 202,431	\$ 2,548,898	\$ 4,237,600	60%
3 Service Charges - Water	97,482	685,262	1,207,000	57%
4 Service Charges - Sewer	147,053	1,042,501	1,844,900	57%
5 Service Charges - Recycled/Reclaimed	6,066	43,854	84,000	52%
6 Baker Treatment Plant (BTP) Water Sales	98,325	861,334	1,110,000	78%
7 Water Recovery & Emergency Storage Fees	68,866	469,099	612,200	77%
8 Reclaimed Water Sales	5,176	469,076	771,300	61%
9 Recycled Water Sales	47,867	170,495	227,500	75%
10 Customer Charges	43,142	266,804	318,300	84%
11 Other Operating Revenue	-	-	91,800	0%
12 Standby Charges	2,574	15,137	46,200	33%
13 Uncollectable Accounts	-	-	(26,400)	0%
14 Total Operating Revenue	718,982	6,572,460	10,524,400	62%
15 Non-Operating Revenue				
16 Property Taxes	104,497	1,264,432	2,140,200	59%
17 Interest Revenue	43,413	80,317	18,800	427%
18 Other Non-Operating Revenue	1,320	24,672	76,200	32%
19 Total Non-Operating Revenue	149,230	1,369,420	2,235,200	61%
20 Total Revenues	868,212	7,941,881	12,759,600	62%
21 Operating Expense				
22 Source of Supply	176,416	1,555,837	2,822,500	55%
23 Baker Treatment Plant Water for Resale	58,368	743,623	1,022,500	73%
24 Water Related Expenses	46,049	583,080	911,300	64%
25 Sanitation Related Expenses	26,492	194,666	315,200	62%
26 Recycled & Reclaimed Expenses	9,717	111,100	207,900	53%
27 Salaries and Benefits	383,099	2,460,602	4,203,200	59%
28 CalPERS Unfunded Accrued Liability Minimum	-	273,674	290,000	94%
29 General and Administrative	106,107	1,284,765	2,323,100	55%
30 Total Operating Expense	806,247	7,207,347	12,095,700	60%
31 Non-Operating Expense				
32 Debt Service - State Revolving Fund	-	115,191	230,200	50%
33 Debt Service - Credit Line	-	73,306	145,000	51%
34 Total Non-Operating Expense	-	188,496	375,200	50%
35 Total Expenses	806,247	7,395,843	12,470,900	59%
36 Net Income / (Loss) Before Capital & Pension	61,965	546,038	288,700	189%
37 Use of District Reserves for Capital Projects	-	-	-	N/A
38 Developer Impact Fees (Restricted)	-	40,795	-	N/A
39 Increase / (Decrease) to Reserves	\$ 61,965	\$ 586,833	\$ 288,700	203%

**No assurance is provided on these financial statements. Substantially all disclosures required by accounting principles generally accepted in the U.S. are not included.*



Trabuco Canyon Water District

District Capital

FY 2022/23 (Unaudited)

	January 2023	YTD Actual	FY 23 Adopted Budget	YTD 58%
1 Funding Sources				
2 Grant Revenue	\$ -	\$ -	\$ 500,000	0%
3 Bank of the West Credit Line Proceeds	532,133	2,708,865	5,162,000	52%
4 Use of District Reserves for Capital Projects	-	-	-	0%
5 Funding Sources Total	532,133	2,708,865	5,662,000	48%
6 District Capital				
7 Capital Improvements / Replacements				
8 SCADA System Upgrades FY 2122	-	99,351	1,210,000	8%
9 AMI/AMR System Implementation (USBR) *	377,280	1,531,725	1,700,000	90%
10 Golf Club SLS Bypass Construction	26,743	144,158	870,000	17%
11 Dimension Water Treatment Plant (DWTP) Office & Storage	1,785	12,158	300,000	4%
12 Master Plan and Condition Assessment Study	5,408	197,557	250,000	79%
13 Live Oak Pipeline Scoping	-	-	100,000	0%
14 ETRSLs Surge Tank Improvements	850	147,449	250,000	59%
15 Trabuco Creek Water Main Potholing	-	-	20,000	0%
16 Dimension Water Treatment Plant Vault Lids	-	-	50,000	0%
17 ETRSLs Discharge Valve Replacement	-	-	35,000	0%
18 OC Rescue Mission	1,400	108,590	-	N/A
19 Dove Lake Dam Repair	78,896	134,733	-	N/A
20 Capital Improvements / Replacements Total	413,465	2,240,988	4,785,000	47%
21 Equipment				
22 Chiquita Capital Replacement	33,397	153,979	178,000	87%
23 Wastewater Treatment Plant Hoffman Blower Building Rehab	-	526	250,000	0%
24 Equipment Trailer	-	-	39,000	0%
25 Wastewater Treatment Plant New Mixers	-	-	150,000	0%
26 Dove Lake Barge/Pump	-	27,946	20,000	140%
27 Domestic Water Turbidimeter Replacement	-	-	15,000	0%
28 Flow Meter - Tick Creek	-	8,908	-	N/A
29 Equipment Total	33,397	182,450	652,000	28%
30 Programs				
31 Pressure Relief Valve Improvements	6,375	51,450	15,000	343%
32 Valve Replacement Program	-	9,660	45,000	21%
33 Manhole Recoating Program - Sewer	-	-	20,000	0%
34 Pressure Relief Valve Vault Improvements - Reclaimed	-	-	45,000	0%
35 Pump Replacement Program	-	80,676	100,000	81%
36 Programs Total	6,375	141,786	225,000	63%
37 District Capital Total	532,133	2,708,865	5,662,000	48%
38 Net Budget	\$ -	\$ -	\$ -	

**Partially funded by Grant / Loan Proceeds*

**No assurance is provided on these financial statements. Substantially all disclosures required by accounting principles generally accepted in the U.S. are not included.*



Trabuco Canyon Water District

Balance Sheet

January 31, 2023

(Unaudited)

		January 2023
1	Assets	
2	Cash & Investments	
3	Cash & Investments - Unrestricted	\$ 2,348,123
4	Cash & Investments - Restricted	6,753,434
5	Total Cash & Investments	<u>9,101,558</u>
6	Other Current Assets	
7	Accounts Receivable, Net	1,771,155
8	Prepaid & Other	43,916
9	LAIF - Market Value Adjustment ¹	533
10	Total Other Current Assets	<u>1,815,071</u>
11	Capital Assets	
12	Capital Assets, at Cost	124,666,643
13	Accumulated Depreciation	(79,018,112)
14	Construction in Progress	3,991,155
15	Total Capital Assets	<u>49,639,686</u>
16	Net OPEB Asset	201,692
17	Deferred Outflows of Resources (DOR)	1,473,729
18	Total Assets & DOR	<u><u>\$ 62,232,268</u></u>
19	Liabilities	
20	Current Liabilities	
21	Accounts Payable	\$ 904,126
22	Accrued Expenses	270,861
23	Current Portion-Long Term Debt	92,840
24	Deposits on Hand	57,890
25	Total Current Liabilities	<u>1,325,717</u>
26	Long-Term Liabilities	
27	Net Pension Liability	1,597,778
28	State Revolving Fund Loan	1,749,475
29	Bank of the West Loan	10,000,000
30	Total Long Term Liabilities	<u>13,347,253</u>
31	Deferred Inflows of Resources (DIR)	2,448,966
32	Total Liabilities & DIR	<u>17,121,936</u>
33	Net Position	45,110,332
34	Total Liabilities, Net Position & DIR	<u><u>\$ 62,232,268</u></u>

¹ LAIF Market Value adjusted annually at June 30th. This balance may be different from the cash and investments report during the year based on updated market conditions.

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Trabuco Canyon Water District

Cash Investments Report

January 31, 2023

(Unaudited)

	Type	Cost	Market	% Total
District Cash & Investments				
Unrestricted				
Local Agency Investment Fund (LAIF)	Investment	\$ 1,673,693	\$ 1,641,492	18.4%
Bank of the West	Checking	674,431	674,431	7.5%
Total Unrestricted		2,348,123	2,315,923	25.9%
Restricted				
LAIF - Water Storage Facilities	Investment	1,065,712	1,045,209	11.7%
LAIF - Interim Sewage	Investment	114,621	112,416	1.3%
LAIF - Debt Issuance 2022	Investment	5,336,188	5,233,525	58.5%
Cash in CB&T Reserved for SRF Loan	Checking	236,913	236,913	2.6%
Total Restricted		6,753,434	6,628,063	74.1%
Total District Cash & Investments		\$ 9,101,558	\$ 8,943,986	100.0%

Quarterly Certification

I certify that (1) all investment actions executed since the last report have been made in full compliance with the District's Investment Policy and, (2) the District will meet its expenditure obligations for the next six months as required by California.

Cindy Byerrum

Cindy Byerrum, Treasurer